SOCIETE GENERALE
Securities Services

Politica retributiva di SGSS S.p.A.

SGSS S.p.A. ha elaborato, in ottemperanza alle disposizioni di Banca d'Italia, un proprio documento unitario sulla politica retributiva; la versione oggi in vigore è quella approvata dall'Assemblea degli azionisti in data 23 Aprile 2021.

Esso consta di due sezioni:, la prima delle quali, elaborata da Société Générale SA, è il documento sulle politiche di remunerazione del Gruppo Société Générale; la seconda è rappresentata dall'allegato specifico per SGSS S.p.A. denominato "*Italian Annex*", che declina ed integra a livello locale i principi sanciti contenuti nel documento sulle politiche di remunerazione del Gruppo Société Générale.

Il documento sulle politiche di remunerazione del Gruppo Société Générale, denominato "Société Générale - 2019 Remuneration/Compensation Polices and Practices Report", è disponibile sul sito dell'Impresa madre:

https://www.societegenerale.com/sites/default/files/documents/Rapport-Remuneration/compensation-policies-and-practices-report-2019.pdf

Il testo dell'"Italian Annex" è, invece, riportato di seguito.

Société Générale - 2021 Remuneration Policies and Practices Report

Italian Annex

Entities in scope:
Société Générale Securities Services S.p.A. (SGSS S.p.A.).
SGSS S.p.A. is an unlisted Italian bank fully controlled by Société Générale S.A..

Introduction

As provided for by Part 1, Title IV, Chapter 2 of Bank of Italy's Circular n. 285/2013, as amended following the 25th update of 23 October 2018 (hereinafter, the New Provisions):

- "*Italian banks that are subsidiaries of a parent company based in a different country of the European Union, if included within the scope of the remuneration policies and practices defined by the foreign parent company, may avoid preparing their own document on remuneration policies if the one prepared by the foreign parent company duly accounts for the specifics of the Italian bank or group from an operational viewpoint, and ensures compliance with the present provisions. This exemption shall not apply to listed companies*" (Section I, paragraph 8 of the New Provisions);
- "*Considering that unlisted banks that are not part of groups, even if subsidiaries of a parent company based in another state of the European Union, are not required to write their own document on remuneration policies pursuant to Section I, paragraph 8, they shall submit the document prepared by the Parent Company to the General Meeting for approval as far as point ii and iii are concerned. Ex-post reporting may be submitted to the General Meeting in the form of the report prepared by the Parent Company as far as point ii and iii are concerned. As far as point iii is concerned, the bank prepares an own document through which it provides the General Meeting with separate ex ante and ex post reporting.*" (Section II, paragraph 1 of the New Provision);
- "*The banks establish the remuneration committee in accordance with Chapter 1, Section IV, paragraph 2.3.1. In addition, in order to grant that incentives underlying the remuneration system are consistent with the management by the bank of its profiles of risk, capital and liquidity, the remuneration committee, if established, can be supported by experts, even external, in such fields (5).* (Footnote n. 5*: It is advisable that the Risk Manager takes part in the meetings of the remuneration committee especially to ensure that the incentive systems are adequately gauged to account for all the risks taken by the bank, in accordance with methods that comply with the ones adopted by the bank for purposes of risk management)";*
- "Unlisted Italian subsidiaries of a parent company based in Italy or in another country of the EU may avoid establishing a committee if it exists at the parent company; the parent company based in another country of the EU duly takes into account the specifics of the Italian bank from an operational point of view and ensures compliance with the present provisions." (Footnote n. 10 of Title IV, Chapter 1, Section IV of Bank of Italy's Circular n. 285/2013).

The New Provisions takes into account the internationally agreed guidelines and criteria, including those developed by the EBA (namely, "Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013") and by the FSB and replace Bank of Italy's provisions on remuneration and incentive policies and practices in banks and banking groups dated as of 18 November 2014; the Annual Compensation Review (ACR) exercise concerning the period 2020 - 2021 is governed by the New Provisions.

On June 06, 2014, the Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile (hereinafter, the Regulation) was published on the Official Journal of the European Union; the Regulation entered into force on the twentieth day following that of its publication and from that date it is binding in its entirety and directly applicable in all Member States.

As far as the identification of the regulated population is concerned, the New Provisions makes reference to the Regulation.

For the proper application of the New Provisions, it is important to consider that:

- SGSS S.p.A. is listed in the list of significant credit institutions issued by ECB. As such, SGSS S.p.A. is subject to all the provisions contained in the New Provisions;
- the New Provisions are not in conflict with the Commission Delegated Regulation (EU) No 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.[1]

SGSS S.p.A. belongs to the Société Générale Group and as such is covered by the Group's remuneration policy as described in the document "2018 Remuneration Policies and Practices Report" (hereafter "The Document"). The purpose of the present Italian Annex (hereinafter, the Annex) to the Document is to detail how Société Générale Group Policy, as described in the Document, takes into account the specifics of SGSS S.p.A. from an operational point of view and ensures compliance with the New Provisions.

For the aforementioned purpose, the content of the Document is to be read in conjunction with the specifications contained in the present Annex.

[1] *SGSS S.p.A. provides its customers (institutional investors that can be classified exclusively as "professional investors" or "eligible counterparties") with the investment service of dealing on own account (limitedly to physically settled FX forward and physically settled FX swap) and/or the investment service of reception and transmission of orders (limitedly to orders concerning parts of Undertakings for Collective Investments – UCI) within the following framework: (i) each of such investment services, as an ancillary service to the main services of depositary bank and custodian bank, (ii) exclusively upon request of its customers and (iii) without any solicitation/advise. The remuneration of employees involved in providing such investment services is not linked at all to their economic results.*

Part 1. Corporate governance of remuneration policy

1.1. Implementation of CRDIV Compensation Requirements, the role of the Group Compensation Committee and the role of the Board of Directors, the Remuneration Committee and the Shareholders' Meeting from SGSS S.p.A.

As detailed in the Document, the Group Compensation Committee reviews annually the remuneration policy applicable within the SG Group and in particular the remuneration policy and the identification of regulated employees (hereinafter also defined "regulated population") at the SG Group level.

As such, Société Générale S.A. developed a Group-wide process for the identification of regulated employees and determines annually the variable remuneration policy applicable for such employees.

SGSS S.p.A.'s document on remuneration policy is represented by the Document and the present Annex, and any subsequent amendment of both the Document and the present Annex, as approved by SGSS S.p.A. Board of Directors and SGSS S.p.A. Shareholders' Meeting. Processing and approval procedure of Remuneration Policy at SGSS S.p.A. are duly described in SGSS S.p.A.'s Annual Compensation Review (ACR) process.

SGSS S.p.A.'s Board of Directors is responsible for the proper identification of the locally regulated employees (hereinafter also defined "locally regulated population") within SGSS S.p.A. and for ensuring that the remuneration policy applicable to such employees is compliant with the New Provisions.

In applying the best practice suggested by the Group's Human Resources Department, though not mandatory under the New Provisions, on December 14, 2016, SGSS S.p.A.'s Board of Directors has established a Remuneration Committee that it is aimed to help SGSS S.p.A.'s Board of Directors in performing its duties with reference to the proper application of the remuneration policy.

The SGSS S.p.A.'s Remuneration Committee has, among other duties, to take care of:

reviewing the proposed compensation budgets and distribution strategy;

reviewing the identification of locally regulated population and the compensation policy for this population.

The SGSS S.p.A.'s Remuneration Committee consists of n. 3 members, including n. 1 independent director.

SGSS S.p.A.'s Board of Directors ensures that the remuneration policy is duly documented and is accessible within the company organization.

Ex-post reporting on the application of the Remuneration Policy is performed by SGSS S.p.A. in accordance with Section VI, paragraph 3, of the New Provisions, by providing its Shareholders' Meeting with at least the same information made publicly available in accordance with Section VI, paragraph 1, of the New Provisions.

1.2. The role of internal control functions at SGSS S.p.A.

The U.O. Human Resources ensures preventive reporting on all and each of the different steps of the Annual Compensation Review process at SGSS S.p.A. to the U.O. Compliance and the U.O. Global Risk Management, providing them all the necessary information and documents, for the purpose of enabling each of them to carry out the relevant controls and, therefore, ensure the proper application of the New Provisions. The U.O. Accounting and Balance Sheet is involved in the relevant activities in accordance with the Document.

The internal audit function (outsourced to Société Générale S.A. – IGAD Division) performs the controls indicated in the New Provisions with due procedures and timing. The conclusions of this internal control will be communicated to the Board of Directors and the Board of Statutory Auditors in order to implement the required corrective measures, who shall evaluate their relevance in terms of duly advising the Bank of Italy. The outcome of the controls performed is made known annually to the Shareholders’ Meeting.

Part 2. Remuneration policies and principles applicable to SGSS S.p.A.

2.1 Compensation of the Governance bodies and internal control functions

At SGSS S.p.A., the members of the Board of Directors, with the exception of the Independent Directors, do not receive any compensation, consistently with the provisions of the Société Générale Group (hereinafter, the SG Group), in their position as Italian or foreign employees of the SG Group.

The remuneration of the above mentioned Independent Directors is set in accordance with market practice and must be authorized by Société Générale S.A.; in any case, no incentive mechanism is applied.

The members of the Board of Statutory Auditors are compensated on the basis of Professional Rates; In any case, no incentive mechanism is applied.

If any, the individual agreement in place with each of the Independent Directors and each of the members of the Board of Statutory Auditors must be in compliance with the New Provisions.

The structure of remuneration for staff of U.O. Compliance and U.O. Global Risk Management must comply with the specific rules of paragraph 1.3 of the Document and Section III, paragraph 3, of the New Provisions.

2.2 Perimeter of the regulated population

2.2.1. Identification of the locally regulated population

The identification of the locally regulated population is to be performed in compliance with the Regulation and the relevant list has to be submitted to the Group's Human Resources Department for validation; the following subjects within SGSS S.p.A. have been included in the category of locally regulated population:

- Members of the Board of Directors;
- General Manager;
- Deputy General Manager;
- Head of Compliance;
- Head of Global Risk Management;
- Head of Human Resources;
- Head of Finance;
- Head of Accounting and Balance Sheet;
- Head of Tax Affairs;
- Head of Legal and Corporate Affairs;
- Head of Technology and Transformation Delivery;
- Head of Liquidity Management;
- Head of Securities Banking Operations;
- Head of Clearing & Settlement Services;
- Head of Trustee & Depositary Services;
- Head of Funds Services Operations;
- Head of Fund Processing Services;
- Head of Fund Valuation Services;
- Head of Coverage Marketing and Solutions;
- Head of Coverage;
- Head of Client Service;
- Head of Custody & Issuer Services;

The Head of U.O. Human Resources, in coordination with the Group's Human Resources Department and with the assistance of the Head of U.O. Global Risk Management and the Head of U.O. Compliance, shall perform an accurate self-assessment to identify the regulated population at SGSS S.p.A. This process must be based on the recognition and evaluation of individual positions (responsibility, hierarchical levels, activities performed, operational proxies, etc.), essential elements for an evaluation of the relevance of each subject in terms of the taking of risks by SGSS S.p.A..

The self-assessment process and its outcome must be duly justified and formalised. The outcome has to be submitted by the Head of U.O. Human Resources to the Group's Human Resources Department before the same is submitted to SGSS S.p.A.'s Board of Directors.

2.2.2. Application of "principle of proportionality"

In application of the "principle of proportionality", SGSS S.p.A. has to comply with the New Provisions in a manner that suits to its characteristics and size and to the riskiness and complexity in the activity performed, also taking into account the fact that it belongs to the Société Générale Group.

Since it is listed in the list of significant credit institutions issued by ECB, SGSS S.p.A. is subject to all the provisions contained in the New Provisions. Consequently, the variable part of the remuneration and the pay-out process must be handled in compliance with the entire content of Section III, paragraphs 1 and 2, of the New Provisions.

In particular, as far as the locally regulated population is concerned, the content of Section III, paragraph 2.1, bullet point 3. and 4. of the New Provisions must be applied disregarding any inconsistency with the content of the Document.

2.3 The main principle of the remuneration policy

The full pay-package is divided between fixed and variable part; among these two components, there must be a clear distinction.

The ratio between fixed and variable part must be duly balanced, determined in detail and carefully evaluated with reference to the characteristics of the intermediary and of the various categories of staff, especially the one of the regulated population. The remuneration policy allows full flexibility as to enable the variable part to be reduced significantly, and even to be cancelled, with reference to the results, weighted by risks, that have actually been achieved.[2]

Limits to the incidence of the variable part on the fixed part must be defined on an ex ante basis, with a sufficient granularity.

As far as the locally regulated population is concerned the variable part of the remuneration cannot be higher than the fixed part of the remuneration (ratio of 100%), unless the Shareholders' Meeting, in accordance with the by-laws of the bank and consistently with the New Provisions, has approved a different ratio (except for the Head of U.O. Compliance, the Head of U.O. Global Risk Management and the Head of U.O. Human Resources, which, as explained hereinafter, are subject to specific provisions). The Shareholders' meeting can establish that the variable part of the remuneration can be higher than 100% of the fixed part of the remuneration, but within the limit of 200% of the fixed part of the remuneration, in accordance with the specific requirements fixed by Bank of Italy; as of today, no exception to the ratio of 100% is applied.

As far as the Head of U.O. Compliance, the Head of U.O. Global Risk Management and the Head of U.O. Human Resources and are concerned, the ratio between the variable part of the remuneration and the fixed part of the remuneration cannot be higher than 33%.

In any case, with reference to Head of U.O. Compliance, Head of U.O. Global Risk

[2] *Some principles to be considered for the determination of the ratio between the fixed part and the variable part are: type of activities; corporate aims (eg. mutual); quality of performance measuring systems and risk correction; duties and reporting level of staff; overall capitalisation levels. It is not ruled out that for staff whose activities do not affect the risk profile of the bank, remuneration may be entirely or for the most part fixed.*

Management and Head of U.O. Human Resources, the incentive mechanisms, if any, are consistent with the tasks assigned and not linked to the results achieved by the areas subject to their control; therefore, bonuses linked to the economic results are avoided. It is instead possible that the grant of the variable part of the remuneration is subject to corporate sustainability objectives – i.e. gates - including cost saving or capital strengthening, provided that this is not a source of potential conflicts of interest. With reference to managers eventually not included in the locally regulated population, the ratio between the variable part of the remuneration and the fixed part of the remuneration cannot be higher than 50%.

With reference to other employees not included in the locally regulated population, the ratio between the variable part of the remuneration and the fixed part of the remuneration cannot be higher than 50%.

As far as managers eventually not included in the locally regulated population and other employees not included in the locally regulated population are concerned, the Board of Directors can authorize exceptions to the aforementioned 50% ratio in case of particular situations duly motivated. Such exceptions have to be communicated to both the Board of Statutory Auditors and the Shareholders' meeting.

2.4 Performance and risk alignment of SGSS S.p.A variable remuneration policy

SGSS S.p.A. remuneration policy promotes sound and effective risk management in the long term, through the method of calculation and allocation of the variable remuneration pools. Section III of the New Provisions is taken into account in the whole process.

2.4.1. The setting of variable remuneration pools

The overall amount of the variable part of the remuneration, allocated or actually paid out, must be sustainable with respect to the financial situation of SGSS S.p.A., and must not limit its ability to retain or reach an adequate level of capitalisation in terms of risks taken.

As described in the Document, the variable remuneration pool for the SGSS business line (i.e. for all SGSS entities worldwide) is set by the Global Banking and Investor Solutions Division and is subject to validation by the SG Group General Management and finally by the SG Group Board of Directors, upon advice of the SG Group Compensation Committee. The variable remuneration pools take into account the performance and the risks of the activity; the performance criterion taken into account at the SGSS business line level is the Operating Income. The Operating Income is net of operating costs and reflects the main risk associated with the activities of SGSS, i.e. operational risk.

The SGSS Management is responsible for the allocation of the variable remuneration pool amongst all SGSS entities. As such, they send instructions via the SGSS Human Resources line to the various SGSS entities concerning the annual allocation rules for setting of variable remuneration.

In the allocation of the variable remuneration pools, the SGSS Management takes into account several factors, including the contribution of each entity to SGSS results (i.e. Operating Income), the level of operational losses, year-on-year variations in headcount if significant and also more qualitative factors such as the level of achievement of the SGSS business line transformation plan and the independent assessment carried out by the Risk Division and the Compliance Department regarding risk management and regulatory compliance, carried out at the subsidiary level.

Each SGSS entity, including SGSS S.p.A., has then to do the individual allocation of variable remuneration exercise, in accordance with paragraph 2.4.2 of the present Annex.

2.4.2. Individual allocation of variable remuneration

The individual allocation takes into account both quantitative objectives (such as individual performance) and qualitative objectives (i.e. the way the results have been achieved). The employee incentive scheme is not based exclusively on commercial objectives, but is inspired by principles of fairness in relations with clients, legal and reputational risk management, protection and “fidelisation” of clients, and compliance with applicable legal, regulatory and statutory provisions.

For the purpose of the individual attribution of variable remuneration it must be taken into account the compliance with law provisions, regulations and statutory provisions as well as with any ethical code or standards of conduct, promoting the adoption of behaviours consistent with those documents and also spreading out their understanding and their sharing.

Furthermore, quantitative objectives based on financial indicators should be risk-adjusted, contributing to ensure the consistency of the remuneration and incentive system with the reference framework for determining the Bank's risk appetite (Risk Appetite Framework - "RAF"), also by defining the risk indicators to be used for the correction mechanisms (ex ante and ex post).

Consistently with the aforementioned objectives, SG Group has established a global individual performance evaluation process and tool which sets a common standard for competencies and behaviours at each level and provides training to managers on appropriate evaluation methods. As part of the annual performance appraisal process, the objectives given to employees include formal qualitative objectives including the quality of risk management and the means and behaviours used to achieve the results. There is no automatic link between the performance appraisal ratings and the individual variable remuneration amounts and the individual variable remuneration proposals are subject to several levels of review by management and Human Resources function to ensure correlation between the individual variable remuneration amounts proposed and the results of the individual performance appraisal.

Finally, the award of a guaranteed variable remuneration is strictly regulated within the SG Group and limited in the context of hiring to one year, always in compliance with the New Provisions’ requirements.

The Bank requires that its personnel, through specific agreements, do not use personal hedging strategies or insurance tools covering compensation or other aspects that may alter or jeopardise the effects of risk alignment typical of the remuneration mechanisms. The Bank requires, in any case, that the regulated population, through specific agreements, communicates the existence or the activation of custody and administration accounts also with other intermediaries.

The Bank also identifies the types of transactions and financial investments directly or indirectly carried out by the regulated population that could affect the risk alignment mechanisms and, more generally, the respect of the purposes of these regulations. If these operations and financial investments are made on the basis of an initiative addressed to the workforce by the Bank or by another company of the Société Générale Group, the Bank's remuneration policies provide adequate information on the matter and justify its consistency with the purposes of the present regulation. In any case, the Bank requires that the regulated population discloses the operations and financial investments carried out that may fall within the types previously identified, taking into account the information received in calibrating the remuneration and incentive systems for personnel, with particular regard to the mechanisms of alignment to the risks and to the Bank’s assets and financial position (e.g. duration of the deferral period, malus and claw-back systems, etc.).

The Bank, with regards to the above transactions and investements, considering that every year the regulated population signs a letter where it is explained the prohibition of hedging strategies and considering that the instruments used as rewards by SGSS are SG shares, has identified the following:

Put Options, Covered Warrant, futures and derivative products on volatility and more generally any strategy to hedge the endogenous risk of Société Générale.

2.5 Threshold for the application of the variable remuneration pay-out process

In light of, and consistently with, the decisions and the best application practices taken into account and implemented by other Italian banks, the Head of U.O. Human Resources, in coordination with the Group's Human Resources Department and with the assistance of the Head of U.O. Global Risk Management and the Head of U.O. Compliance, is authorized to propose to the assessment of the Board of Directors and the Board of Statutory Auditors the introduction a threshold for the application of the variable remuneration pay-out process to the locally regulated population. If positive, the decision of the Board of Directors and the Board of Statutory Auditors concerning the proposal from the Head of U.O. Human Resources has then to be submitted to the approval of the Shareholders' meeting.

The threshold currently in force, approved by the Shareholders' meeting according to the aforementioned procedure, is equal to 70 K€.

The bonus of an amount less than or equal to the threshold approved by the Shareholders' meeting shall be paid entirely in cash and without any deferral; this is because the application of the content of Section III, paragraph 2.1, bullet point 3. and 4. of the New Provisions would not be significant in both absolute and relative terms compared to total remuneration perceived, to the point of invalidating de facto the guiding principle of the mechanism (correlation between the amount of the bonus and risk-taking).

2.6 Essential aspects of the remuneration and incentive system

2.6.1 Principles

Consistently with the above, the Bank has implemented a remuneration and incentive system addressed to all its employees and collaborators, which reflects the criteria and requirements provided for by the New Provisions. In particular, this system is aimed at:

- promoting the Bank's competitivity and fair governance;
- attracting and retaining individuals with professional skills and abilities suitable to the needs of the company;
- allowing compliance with the objectives, corporate values and long-term strategies;
- safeguarding the Bank's prudent risk management policies, consistently with what is defined by the provisions on the prudential control process;
- ensuring consistency with the reference framework for the determination of risk appetite (R.A.F.) and with the governance and risk management policies;
- taking into account the cost and the capital and liquidity level necessary to cover the activities undertaken and being organized so as to prevent that some incentives are in conflict with the Bank's interest with a long-term perspective;
- favouring the compliance with all the law provisions, regulations and statutory provisions, as well as any ethical code or other standards of conduct applicable to the Bank.

In this regard, it should be noted that the remuneration and incentive system implemented by the Bank does not provide for:

- the disbursement of any form of remuneration or payments or other benefits paid by vehicles, instruments or methods that are in any case in breach of these provisions;
- *carried interest*;
- any type or form of guaranteed variable remuneration, except in special cases aimed at hiring new employees and limited to the first year of employment, in compliance with the New Provisions (i.e. entry bonus);

- the provision of any type of discretionary pension benefits other than those established by the pension system provided for by law and by collective bargaining applicable to the Bank;
- without prejudice to non-competition agreements and severance treatments as described below, any form of remuneration agreed before or in the occasion of the early termination of the employment relationship and/or for early termination of corporate office (i.e. Golden parachute). The application of the rules on variable remuneration to the compensation of the non-competition agreement – which is included in the variable component of the remuneration – is limited to the part exceeding 100% of the fixed component on an annual basis. Furthermore, the compensation of the non-competition agreement is not included in the calculation of the limit to the variable/fixed remuneration ratio, if, and so far as, by dividing the total amount of the compensation of the non-competition agreement by the number of years of its length, the annual quota of the compensation of the agreement does not exceed the last fixed annual remuneration.

The remuneration and incentive system implemented by the Bank, addressed to its employees and collaborators, provides for the payment of a fixed component and, for the subjects for which it is established, of a variable component.
In particular, these components are implemented by the Bank through the following principles and methods.

2.6.2 Fixed component

The fixed component of the remuneration, with reference to employees and collaborators, rewards the position held (hierarchical level), the tasks assigned and the extent of the responsibilities, reflecting the experience and the capacity required for each position as well as the quality of the contribution to the company results, the characteristics of the performance measurement systems and the related risk correction.
To ensure competitivity vis-à-vis other companies operating within the banking, credit and financial sectors, each year the Bank performs a benchmarking analysis based, among others, on the data included in the reports provided for by ABI, in collaboration with Hay Group (ABI Credit and Finance Compensation Survey).
The fixed component is sufficient to allow the variable part to be reduced significantly, and even to be cancelled, in relation to the results, adjusted based on the risks actually achieved.
In accordance with the applicable legislation and based on the current remuneration system implemented by the Bank, the following main types of remuneration are included among the fixed component:

- gross annual remuneration;
- fringe benefits (where provided for and granted);
- components related to the continuative and specific performance modalities, such as, for example, expatriation and role allowances (as long as they qualify as fixed remuneration pursuant to the EBA's and New Provisions' guidelines).

2.6.3 Variable component of the remuneration

Variable remuneration reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment.
The variable remuneration pool is determined on the basis of:
- the collective performance of the entity (organisational unit/activity), taking into account the economic context and market environment/practices, financial results achieved, taking into account the need for consistency with the timing and likelihood of the Bank receiving potential future revenues incorporated into current earnings;
- adjustments for all types of current and future risks and the liquidity cost and capital requirements in light of the Risk Appetite targets.

The variable remuneration pools within SG Group are determined by business unit, at a global level, in order to ensure financial solidarity between the various activities and avoid conflicts of interest.

They are set on the basis of:

- the collective financial results taking into account the risks and the Finance department ensuring that the total amount of variable remuneration does not undermine the SG Group's capacity to meet its objectives in terms of capital requirements;

- qualitative factors such as market practices, conditions under which activities are carried out and risk and compliance management (through an independent appraisal process performed by the Risk and Compliance Divisions).

At individual level, the allocation of variable compensation takes into account:
- the employee's achievement of quantitative and qualitative objectives set at the beginning of the year,
- the assessment of the employee's conduct, risk management behaviour, respect of internal procedures and compliance and adherence to SG Group Leadership Model values,
- input from control functions,
- compensation practices and internal consistency.

All the instruments that contribute to the determination of the variable component of the remuneration take in due account of the need to ensure the compliance with the rules of fair conduct.

Furthermore, with particular reference to the variable component, it should be noted that the remuneration and incentive system implemented by the Bank, provides for the following principles:
- the rate of the variable component over the fixed component is established ex ante with specific limits defined in a granular way on the basis of the position and the responsibilities assigned to each employee and collaborator, as set in point 2.3 above;
- the variable component is calculated on the basis of performance indicators, net of risks, and consistent with the measures used for management purposes by the Risk Management Function (i.e. risk adjustment);
- to allocate and to assign the variable component, they are taken into account the risks and results of the Bank and of Société Générale Group as a whole, those of each Departments/Organizational Units and those of the individual subjects, consistently with the positions, the responsibilities and the levels of decision-making assigned to employees and collaborators;
- part of any bonus awarded may be deferred in line with the rules of the SG Fidelity Bonus Plan. Payments are linked to the performance of SG Group and applicable business lines against targets as agreed with the SG Group Board. Where performance conditions are not met the deferred component is partially or fully forfeited. The terms of each year's deferral plan will be communicated to employees concerned at the time of the bonus announcement for the calendar year in question. In particular, the part of variable remuneration covered by deferred payment systems, if any, is subject to ex post correction mechanisms (i.e. malus and claw back), suitable to reflect the performance levels, net of the risks actually assumed or achieved, and capital levels, as well as to take into account the individual behaviour. These mechanisms, where applied, can lead to a reduction, even significant, of the variable remuneration itself, especially in case of results significantly lower than the target pre-established or negative, or if the Bank is unable to maintain or restore a sound capital basis.

Long-term incentives (LTI) in the form of grant of SG Group shares are proposed at SG Group level to motivate and retain SG Group's high performers and strategic talents (subject to eligibility according to the criteria defined by the SG Group).
Thanks to its medium-term maturity and vesting conditions, it aims to build loyalty of the beneficiaries and to align their interests more closely with those of shareholders. LTIs are not a recurrent remuneration element.
The vesting period runs from the date of the conditional grant until the actual date on which ownership of the shares is transferred to the employee. During the entire vesting period, the beneficiary only holds conditional rights to performance shares.
The LTIs budget request is estimated using both quantitative criteria (staffing trends; fixed salary costs evolution; eccetera) and qualitative criteria (retention issues; strategic talents policy; strategic projects; eccetera).
At the end of the vesting period, the employee becomes a shareholder of SG Group. SG Group

shares will be delivered with dividend and voting rights attached. It means that the employee will receive all dividends on which the General Assembly voted after the vesting date and that, from this date, they will be able to exercise the voting rights. SG Group shares will be subject to a minimimum holding period of one year (lock-up).

The Bank, where appropriate according to the New Provisions, reserves the right to enter into retention and stability covenants, in response to the payment of a compensation (retention bonus), which represent a variable remuneration for the purposes of this Annex as well.

2.6.4 Setting of objectives campaign and Performance evaluation period (accrual period)

The setting of objectives and the assessment of performance against the objectives are a key determinant of the input to the bonus process.
The core objectives and key priorities for the Bank have been published to provide clear guidance to all employees.

These key priorities of the business and the Bank's vision, purpose and core values are expected to be reflected in the objectives of employees throughout the organisation.
The year-end performance review process was launched with clear guidelines, timetable and help notes. All employees will complete a self-assessment prior to a discussion between line managers and employees.
Employees' annual performance is assessed every year against their objectives (Job Requirements, Operational Objectives and Behavioral Development) during November/December.
The manager determines the remuneration proposals, by linking the appropriate set of performance parameters (Group performance, entity performance, individual performance) and elements of context (market environment, benchmarking, regulation, eccetera) together.
There is a specific focus on the assessment of risk and compliance performance in order to engender a more robust and accountable culture.
Remuneration policies are more and more framed by banking regulation which has now become a key factor. Risk and Compliance departments' roles in the ACR process have therefore increased following the new regulatory framework.
One of their main roles is the evaluation of risk and compliance management at the level of the business activity (BU/SU and sub-BU/sub-SU level), as well as at the individual level (mainly regulated staff under CRD IV, AIFMD and Volcker Rule/French Banking Law). A negative evaluation on risk and/or compliance is taken into account to determine the proposed bonus. Moreover, in case of unacceptable risk taking behavior, the malus clause on deferred remuneration can be activated.

Performance evaluation period (accrual period) could be annual and/or multi-annual and takes into account the levels of capital assets and liquidity necessary to meet the activities undertaken, without restricting in any case the Bank's ability to maintain appropriate capitalization levels.

2.6.5 Conditions to access to the variable component (gates)

In order to guarantee the maintenance of appropriate capitalization levels, the remuneration system implemented by the Bank provides for specific capital and economic conditions to fulfil for the variable component of the remuneration to be paid.
In particular, the payment of the variable component is subject to the conservation of the specific requirements representative of the Bank's capital strength (Total Capital Ratio) and of the related level of liquidity (Liquidity Coverage Ratio), which cannot be lower than the regulatory limits.

2.6.6 Ex post correction mechanisms (malus and claw back)

The remuneration and incentive system adopted by the Bank provides for ex post correction mechanisms suitable also to reflect the performance levels, net of the risks actually assumed or achieved.
First of all, if the recipient is liable for fraudulent behaviours or gross negligence, which also influenced directly or indirectly the results considered for the attribution of the variable remuneration, the payment will not be finalized, or, where already paid, the recipient shall return the undue amount (claw back clause).
In particular, the Bank applies specific claw back mechanisms to the variable component approved and/or paid to the parties who determined or helped to determine:

- behaviours not compliant with law provisions, regulations and statutory provisions as well as with any ethical codes or standards of conduct applicable to the Bank, that caused a significant loss – namely a capital or non-pecuniary prejudice higher than Euro 100K– for the Bank, both direct and indirect (i.e. consequential repercussions on customers of the Bank);
- violations of the obligations relating to corporate representatives pursuant to art. 26 of the TUB, to art. 53, paragraph 4, of the TUB (when the individual is an interested party) and of the obligations regarding remuneration and incentives;
- fraudulent behaviour or gross negligence to the detriment of the Bank, suitable of integrating a case of dismissal for just cause pursuant to art. 2119 or 2383 cod. civ., where acknowledged during the employment relationship.

Specific malus mechanisms are applied, in addition to the claw back clause's applications said above, also to take into account the performance levels, net of the risks actually assumed or pursued and the performance of the Bank and/or the Group Société Générale's capital strength and liquidity.
It should be noted that the ex post correction mechanisms can not lead to an increase in the initially granted variable remuneration or to the variable remuneration previously lowered or reduced to zero following the application of malus or claw back clause.

2.6.7 The remuneration system for the regulated population

The remuneration and incentive system adopted by the Bank for the employees and the collaborators considered as regulated population, in addition to the aforementioned principles applicable to the personnel in general, also provides for the following more efficient and precautionary measures:

- the ratio between the variable component and the fixed component of individual remuneration is defined consistently with the provisions of paragraph 2.3 above;
- the variable component is subject, for a quota of at least 40%, to deferred payment systems for at least 3 years, in order to guarantee the assessment over time of the performance of the risks assumed by the Bank (malus mechanisms). The deferred quota may be paid during the deferral period on a pro rata basis, provided that the payment frequency is at least annual.
- if the variable component represents a particularly high amount - as defined below - the deferral quota is equal to 60%;
- for the executive directors, the general manager, the joint general managers, the deputy general managers and other similar figures, the heads of the main business areas, corporate functions and geographical areas, as well as those who report directly to the strategic supervisory bodies, management and control, the duration of the deferral period cannot be shorter than 5 years and more than 50% of the deferred quota is made of financial instruments;
- in any case, the variable component, both in its deferred component and in the up-front component, is acknowledged, for a quota of at least 50%, in shares, instruments connected to them or instruments whose value reflects the economic value of the Bank

or of the Group (It should be noted that the Bank has adopted, as a financial instrument for the payment of the variable component in kind, ordinary shares of Société Générale SA). If the quota consisting in financial instruments exceeds 50% of the total variable remuneration, the portion of financial instruments to be deferred will be bigger than the portion of them to be paid up-front;

- the financial instruments are subject to a lock-up period, starting from the moment when they are paid (retention period), during which they cannot be sold. This period lasts 1 year for the paid up-front part and at least six months for the deferred part.
- before the end of the deferral period, dividends or interests shall not be paid.

For the purposes of the deferral period, "particularly high amount" means the lower between:

- 25% of the average total remuneration of Italian high earners, as resulting from the most recent EBA report;
- 10 times the average total remuneration of the Bank's employees.

The lowest of the aforementioned values is, with reference to the Bank, approximately 450,000.00 Euro and shall be updated by the Bank at least every three years.

2.6.8 Severance

Amounts agreed upon before or along with the early termination of the employment relationship

The Bank - before or simultaneously with the early termination of the employment relationship, as part of a settlement agreement of current or potential disputes, without prejudice to the derogations provided for by the New Provisions under Title IV, Chapter 2, Section III, par. 2.2.3 - reserves the possibility – on its own initiative and will - to grant payments or other benefits (hereinafter also "Severance"), in addition to any due notice period (or the in lieu of indemnity), considering the performance, net of risks, and the individual behaviours, consistent with the Bank's capital strength and liquidity. Said payments shall be conferred according to the predefined formulas, concerning the applicable criteria and limits, indicated below:

Regulated population

For employees who, as employees of the Bank, during the 6 calendar years prior to the termination date of the relationship, have acquired the right to receive variable remuneration equal to or greater than 30% of the maximum reachable for at least 3 years, and each year during the above 6 year period always received positive annual performance assessments:

A. 4 months of fixed remuneration for each year of service, with the maximum limit of 36 months of fixed remuneration, if the employees' age is higher than 45 years;
B. 3 months of fixed remuneration for each year of service, with the maximum limit of 36 months of fixed remuneration, if the employees' age is up to 45 years.

For all other employees included within the regulated population that during the 6 calendar years prior to the termination date of the relationship received for at least 5 years a positive annual performance assessments:

A. 2 months of fixed remuneration for each year of service, with the maximum limit of 24 months of fixed remuneration, if the employees' age is higher than 45 years.
B. 1 months of fixed remuneration for each year of service, with the maximum limit of 24 months of fixed remuneration, if the employees' age is up to 45 years.

Employees not included within the regulated population

For employees who, as employees of the Bank, during the 6 calendar years prior to the termination date of the relationship, have acquired the right to receive variable remuneration equal to or greater than 35% of the maximum reachable for at least 3 years, and each year during the above 6 year period always received positive annual performance assessments:

A. 4 months of fixed remuneration for each year of service, with the maximum limit of 36 months of fixed remuneration, if the employees' age is higher than 45 years;
B. 3 months of fixed remuneration for each year of service, with the maximum limit of 36 months of fixed remuneration, if the employees' age is up to 45 years.

For all other employees not included within the regulated population that during the 6 calendar years prior to the termination date of the relationship received for at least 5 years a positive annual performance assessment:

A. 2 months of fixed remuneration for each year of service, with the maximum limit of 24 months of fixed remuneration, if the employees' age is higher than 45 years.
B. 1 months of fixed remuneration for each year of service, with the maximum limit of 24 months of fixed remuneration, if the employees' age is up to 45 years.

The rules and detailed disciplines referred to in this document will apply to the Severance, including the methods of disbursement (deferred shares, financial instruments, correction mechanisms ex post, etc.), differentiated into function of the staff category, except for what explicitly derogated with this document.

The Remuneration Committee along with HR will supervise the application of the predefined formulas mentioned above, through timely evaluation and approval, taking into consideration the overall assessment of the performances of the individual subject in the different positions held time by time and having particular regard to the Bank’s capitalization, liquidity and profitability levels. The application of the predefined formulas mentioned above shall follow an investigation conducted by HR on the compliance of the proposal with the regulatory provisions in force at the time and on its consistency with the Bank's remuneration and incentive policies.

The Severance shall not be paid if the termination of the relationship occurs due to the employee's resignation.

In accordance with with Art.94 p.1 (h) of the CRD IV (*payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct*) any attribution of the Severance - unless it derives from legal obligations or judicial and arbitral judgments - will be agreed upon as part of a settlement agreement which includes, inter alia:
- claw-back clauses, in the terms described in this document and, in any case, effective at least in case of fraudulent behaviour or gross negligence to the detriment of the Bank, suitable of integrating a case of dismissal for just cause pursuant to art. 2119 cod. civ., if acknowledged during the employment relationship.;
- the Bank's right to exercise liability and/or compensatory actions for facts/conducts that complies with fraudulent behaviour or gross negligence, not known at the time of termination;
- the waiver of the employee to any future claim against the Bank.

The aforementioned Severance rules do not apply to the CEO. The Board will define specific rules for CEO.

Part 3 – Information concerning ACR 2020-2021

For the 2020 reference year, taking into account paragraph 2.1 of the present Annex and in compliance with the New Provisions, the following subjects within SGSS S.p.A. have been included in the category of locally regulated population:

- Members of the Board of Directors;
- General Manager;
- Deputy General Manager;
- Head of Compliance;
- Head of Global Risk Management;
- Head of Human Resources;
- Head of Finance;
- Head of Accounting and Balance Sheet;
- Head of Tax Affairs;
- Head of Legal and Corporate Affairs;
- Head of Technology and Transformation Delivery;
- Head of Liquidity Management;
- Head of Securities Banking Operations;
- Head of Clearing & Settlement Services;
- Head of Trustee & Depositary Services;
- Head of Funds Services Operations;
- Head of Fund Processing Services;
- Head of Fund Valuation Services;
- Head of Coverage Marketing and Solutions;
- Head of Coverage;
- Head of Client Service;
- Head of Custody & Issuer Services;
- Head of Business Support

In addition to what already described in Part 1 and Part 2 of the present Italian annex, the following are the information about remuneration for financial year 2020 due in accordance with the New Provision and art. 450 of the CRR. Figures are expressed in MEUR.

3.1 Locally regulated population excluding Members of the Board of Directors and the General Manager

a) Remuneration awarded for the financial year

	Total	Business Functions	Control and Support Functions
Regulated population	21	11	10
Total remuneration	**2,776**	**1,428**	**1,348**
of which fixed remuneration	**2,244**	**1,136**	**1,108**
of which variable remuneration	**0,532**	**0,292**	**0,240**
Variable remuneration			
of which upfront part (1)	**0,500**	**0,260**	**0,240**
- including cash	0,448	0,218	0,230
- including instruments	0,052	0,042	0,01
of which deferred part	**0,032**	**0,032**	0
- including cash	0	0,013	0
- including instruments	0	0,019	0

Note:
(1) Payable in March 2021

b) Deferred variable remuneration

Total 0,032 in five years (from 2022 to 2026 refer to table “deferral scheme” pag.19)
Cash 0,013 - first two instalments
Instruments 0,019 - last three instalments

c) Sign-on and severance payments made during the financial year

None.

d) Severance awards

None.

3.2 Members of the Board of Directors and the General Manager

At SGSS S.p.A., the members of the Board of Directors, with the exception of the Independent Directors, do not receive any compensation, consistently with the provisions of the Société Générale Group (hereinafter, the SG Group), in their position as Italian or foreign employees of the SG Group.

The remuneration of the above mentioned Independent Directors is set in accordance with market practice and must be authorized by Société Générale S.A.; in any case, no incentive mechanism is applied.

With reference to 2020, the remuneration of the Independent Directors was € 35000.

As far as the General Manager is concerned, please note the following.

a) Remuneration awarded for the financial year

Total remuneration	**0,505**
of which fixed remuneration	0,355
of which variable remuneration	0,150
Variable remuneration	
of which upfront part	**0,090**
- including cash	0,045
- including instruments	0,045
of which deferred part	**0,060**
- including cash	0,024
- including instruments	0,036

b) Deferred variable remuneration

Total 0,060 in five years (from 2022 to 2026 refer to table below "deferral scheme")
Cash 0,024 - first two instalments
Instruments 0,036 - last three instalments

c) Sign-on and severance payments made during the financial year

None.

d) Severance awards

None.

DEFERRAL SCHEME

Allocation	Installments		Vesting date	Date of payment
	%	Type		
60% on spot	30%	cash	March N	March N
	30%	SGTP	March N	March +1
40% deferred	8.00%	cash	March N+1	March N+1
	8.00%	cash	March N+2	March N+2
	8.00%	SGTP	March N+3	October N+3
	8.00%	SGTP	March N+4	October N+4
	8.00%	SGTP	March N+5	October N+5